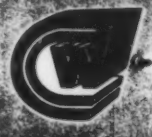
Annual Report - 1991



Workers' Compensation Commission

of Newfoundland and Labrador

93-02739/

Activity at a Glance

	1991	1990
New Claims Reported	18,551	19,905
Claims Accepted	17,838	19,286
Temporary Earnings Loss Claims	9,404	10,404
Medical Aid Only Claims	8,424	8,858
Fatalities	10	24
Number of Registered Employers	12,500	12,100
Employers' Assessments	$90.2 Million	$79 Million

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WORKERS' COMPENSATION COMMISSION OF NEWFOUNDLAND AND LABRADOR
146-148 FOREST ROAD, P.O. BOX 9000, STN "B", ST. JOHN'S, NFLD CANADA A1A 3B8
TELEPHONE (709) 778-1000 FAX (709) 738-1714

BOARD OF DIRECTORS

March 20, 1992

The Honourable Roger Grimes
Minister of Employment and Labour Relations
Second Floor, West Block
Confederation Building
P.O. Box 8700
St. John's, NF
A1C 4J6

Dear Minister:

In compliance with Section 12(1) of the Workers' Compensation Act 1983, I am pleased to submit the Annual Report of the Workers' Compensation Commission of Newfoundland and Labrador for the year ending December 31, 1991.

The Report presents information on the Commission's transactions for the 1991 calendar year including the services provided, the number of people who benefited, audited financial statements and an actuarial certificate. The audited statements incorporate new actuarial estimates of liabilities for outstanding claims based on a valuation recently completed that incorporate program cost experience to the end of 1991.

This information indicates that the Commission's financial condition has deteriorated significantly again this year. It is therefore urgent that changes be made to protect the system. We urge you to accept the recommendations put forward in the Financial Strategy developed by the Board in April 1991 thereby enabling the Commission to implement necessary change.

I commend the Report for your review.

Respectfully submitted,

Penelope M. Rowe
Chairperson
On behalf of the Board of Directors

This is the lobby of the newly renovated Workers' Compensation Building. The receptionist, Glenda Collins, is responsible for answering the new toll-free telephone line.

INTRODUCTION

The Workers' Compensation Commission operates a no-fault work injury insurance program that is governed by the Workers' Compensation Act, 1983.

The 1991 Annual Report of the Workers' Compensation Commission provides a comparison of program costs and utilization in the year compared to previous years as well as a compilation of statistics and other data on activities. More detailed information about the Commission's programs or services is available by contacting the Director of Communications, 146-148 Forest Road, St. John's, NF, A1A 3B8 (778-1223).

REPORT BY CHAIRPERSON

In administering the workers' compensation system the Board of Directors must be guided by two overriding principles: the right of workers to a full range of reasonable benefits in the event of a workplace injury; and the financial capacity of employers to pay the cost of such benefits. Workers' compensation is a no-fault insurance program funded entirely by employer contributions.

Employer assessments should be sufficient in any given year to meet the current and future costs of all injuries which occurred in that year otherwise the Commission builds up a debt which has to be met by future employer assessments.

Unfortunately, the system in Newfoundland and Labrador is out of balance - the cost of delivering benefits to injured workers is far outstripping revenue generated from employer assessments. Even though assessment rates have been increased and the actual payroll base has grown, the Commission's ability to meet present and future costs has deteriorated significantly. Clearly, greater emphasis must be placed on targeting benefits more accurately and on delivering services more efficiently.

Workers' Compensation operates much like a pension plan. Each year the Commission forecasts all anticipated costs attributable to injuries which have already occurred. These projections, prepared through an actuarial valuation, are then booked in the current year's financial statements. Actuarial projections are based on past experience projected into the future. This is not an easy task because it is difficult to know how many workers will be claiming benefits, how long they'll be off the job, the potential effectiveness of vocational rehabilitation, the type of job a worker may obtain after maximum medical recovery, or how much ongoing medical expenses there will be.

In 1989 the Board requested a major new actuarial valuation based on programs implemented in accordance with 1984 legislative changes. This valuation generated new projections which caused an enormous increase in outstanding liabilities. At the end of 1990 the liability for outstanding claims was booked at approximately $232 million and the Commission had assets of $119 million leaving an estimated unfunded liability of $113 million.

The Board of Directors had hoped the figures presented last year were an accurate reflection of costs which might be incurred relative to those injuries already in the system. Unfortunately, the actuarial valuation as at December 1991 booked in this year's Annual Report has once again produced a startling increase in both the outstanding liabilities and the unfunded liability. Estimated outstanding liabilities are now stated at $287 million and the unfunded liability at $160 million.

This is not a problem which has developed just over the last couple of years. It is a cumulative problem attributable largely to the legislative changes of 1984 and to the continuing costs of prior years' injuries. It is obvious if serious measures are not taken immediately the system will simply fall apart.

The Board of Directors is gravely concerned about the financial situation. Assessment rates cannot be increased sufficiently to meet spiralling costs and reduce the unfunded liability; therefore, the cost of delivering benefits must be contained. Last year the Board prepared a cost containment plan, undertook an organizational structure review and approved revised rehabilitation policies, the objectives of which were to tighten up the delivery while still protecting compensation for injured workers. Once the Provincial Government has taken action on recommendations from the Statutory Review Committee and has determined what legislative changes are to be enacted the Commission will be able to implement new policies within the system.

Chairperson
Board of Directors
Penelope M. Rowe

The last year has been one of considerable effort for the Commission as both staff and the Board have tackled the increasing duration of claims and expenses associated with injuries which occurred in prior years. I wish to thank Board members for their contribution to planning future policy directions for the Commission and to convey to all employees throughout the organization my appreciation for their participation in producing the necessary material for the Board decision-making. I sincerely hope that the work that we have all undertaken in 1991 will lead to the long-term preservation of the workers' compensation system in the Province.

Penelope M. Rowe, M.Sc.
Chairperson

BOARD OF DIRECTORS

Standing, left to right: Genevieve Mullins, Darrel Brenton, Earl McCurdy, Dan Whelan, William Kennedy, Bruce Chapman

Seated, left to right: Dr. John Bessell, Penelope M. Rowe, Harry Andrews

Chairperson
Penelope M. Rowe, Appointed September 1989

Vice-Chairperson
Dr. Catherine Penney, February 1987 - August, 1991

Employer Representatives
Bruce Chapman, Appointed February 1987

William Kennedy, Appointed November 1990

Dr. John Bessell, August 1989 - December 1991

Labour Representatives
Earle McCurdy, Appointed February 1987

Dan Whelan, Appointed February 1987

Darrel Brenton, Appointed March 1990

Public Representatives
Harry Andrews, Appointed August 1989

Genevieve Mullins, Appointed August 1989

Robert Moore, August 1989 - May, 1991

Ex-Officio
D. Wayne Mitchell, Chief Executive Officer

Gordon Seabright, Chairperson of the Workers' Compensation Appeal Tribunal

Corporate Secretary
Susan Nickerson-Graham

REPORT OF THE CHIEF EXECUTIVE OFFICER

Chief Executive Offider D. Wayne Mitchell

Priority attention throughout the entire Commission in early 1991 centred on the completion of a Financial Strategy. The report, publicly released in April 1991, outlined the Commission's plans for containing costs and eliminating the unfunded liability.

The major elements of the Commission's Financial Strategy include:

- **adopting a full funding approach to meet current year accident costs while gradually amortizing the unfunded liability;**
- **introducing a new rate-setting model for greater consistency in assessment rates from year to year;**
- **reviewing employer group classifications to improve statistical credibility;**
- **applying experience rating to a larger number of employers;**
- **adjusting various compensation benefits by reducing the income replacement rate, recalculating annuities and offsetting Canada Pension Plan benefits;**
- **urging aggressive enforcement of occupational health and safety;**
- **implementing organizational change to improve case management;**
- **revising rehabilitation policies to achieve greater efficiency and effectiveness.**

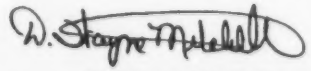
The Commission's Financial Strategy served as input to the Statutory Review Committee that conducted hearings on workers' compensation throughout the Province in the first half of the year and presented a report to the Government in September 1991. While the Statutory Review Committee was working on its report, the Commission supplied information pertinent to the issues under review and provided briefings on the rationale and operation of various workers' compensation programs. The cost for the Statutory Review Committee was paid from the Injury Fund.

In August, the Commission switched to a two-stream corporate structure, which arose from the early retirement in August 1991 of the Executive Director of Policy and Special Services. The various duties of that position were absorbed by the Chief Executive Officer, the Executive Director of Compensation Services and the Executive Director of Corporate Services, with the support of a newly created position of Policy Analyst.

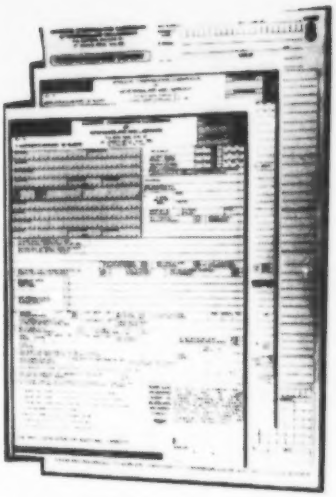
A Consultant was hired in August 1991 to undertake an organizational review of how the Commission is set up to deliver claims services. The Consultant's report was submitted in December 1991. It will serve as the basis for designing a more integrated approach to delivering adjudication, medical and rehabilitation services to injured workers for implementation throughout 1992.

The Commission continues to pursue its objective of providing a healthy and conducive working environment for employees. To this end, the Headquarters building in St. John's was declared smoke free in February 1991. A new cafeteria began operating during the year, enabling staff and visitors to have snacks and meals amid bright and cheerful surroundings. The Commission is also participating with the Provincial Government in their pay equity study, to ensure gender equity in the salaries paid to all classification levels at the Commission.

Commission staff continued to face heavy demands throughout the year in terms of high caseloads, substantially increased volume of requests for internal reviews of initial decisions, more representation from employers for information on claims progression, and frequent contact from various organizations to make presentations on workers' compensation. In addition, information had to be compiled and analysis provided for major policy development in the year, as well as in support of the various strategic initiatives that were launched. This was accomplished while still maintaining constant scrutiny over administrative costs, with the result that total operations were carried out below the Administrative budget estimated for 1991.



D. Wayne Mitchell
Chief Executive Officer



All injured workers must complete a report of their injury. The Employer's Report of the injury and the Physician's Report are the other primary reports needed to complete the worker's file.

CLAIMS

Each year thousands of workers in Newfoundland and Labrador are injured on the job with some of these injuries proving to be fatal. The Workers' Compensation Commission offers programs and services to assist injured workers or their dependents. Programs offered include earnings-ioss benefits, medical aid, rehabilitation assistance, permanent functional impairment awards and dependency benefits.

In 1991, the Commission received 18,551 new injury reports of which 17,838 were accepted. These numbers are down from 1990 when 19,905 injuries were reported with 19,286 accepted. Of the 17,838 claims accepted, 8,424 required medical aid only, 9,404 were for temporary earnings-loss benefits and 10 were fatalities.

While the number of injuries has decreased, the attendant cost of those injuries has increased. The cash payments in 1991 for Temporary Earnings Loss benefits were $38.5 million compared to $35 million in 1990. The reason for the higher cost is because of the increase in the number of claims paid for prior years' injuries. In fact, two additional adjudicators were hired in 1991 to assist with the caseload, which included not only 1991 claims, but also 3,383 claims existing on the system from previous years, compared to 2,747 claims on the system from previous years in 1990.

In a further effort to increase service to injured workers, a change was made to the telephone enquiries system. All calls now are directed to a central point, thereby ensuring someone is available to log calls, route them to appropriate staff members or record messages for return at the earliest opportunity.

In an attempt to deal with increasing reports of abuse, a new Claims Investigator was hired in 1991. The two Claims Investigators handled 137 claims for investigation in 1991 compared to approximately 95 for 1990.

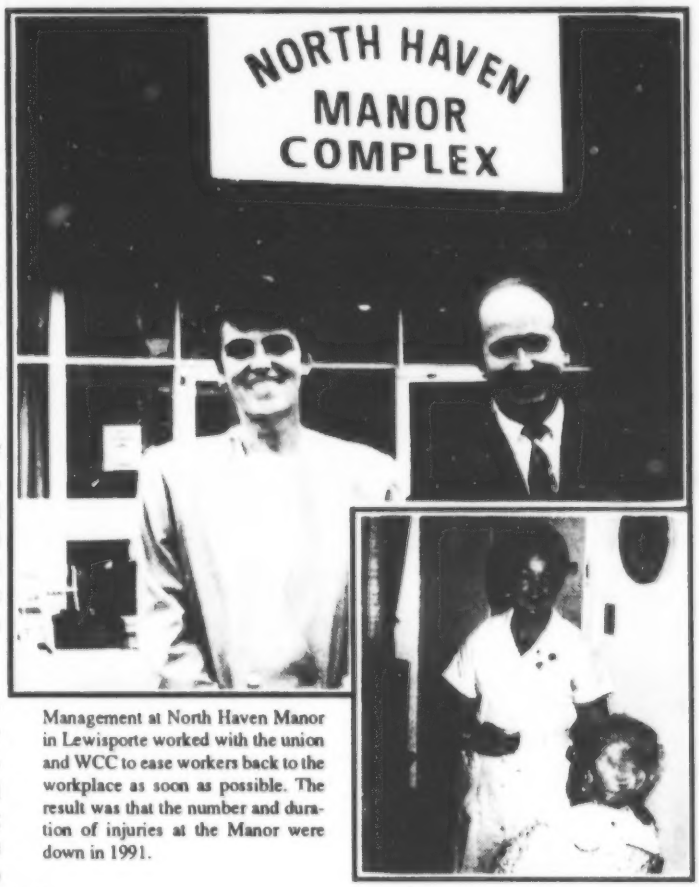
Jean Rideout is an Enquiry Clerk with the Commission. She answers many of the calls for claims information and is able to respond to injured workers' questions by calling up their file on her computer.

REHABILITATION

Injured workers who are unable to return to their pre-injury employment, even after maximum medical recovery, may qualify for assistance through the Rehabilitation Department. Depending upon the severity of the injury, they may be eligible to participate in programs, ranging from a two-week ease-back-to-work opportunity, to a three-year formal training program.

In 1991 Vocational Rehabilitation staff assisted 2,357 injured workers, compared to 1,995 in 1990. The Department closed 1,530 claims in 1991, 993 of those returned to work and 120 reopened their claim during the year. Rehabilitation payments were $11 million compared to $8.4 million in 1990.

The Ease Back to Work Program, initiated in late 1989, was heavily utilized by injured workers in 1991. In fact, the Department assigned one Counsellor to deal exclusively with the Ease Back to Work Program. In addition to this Counsellor, the Department also assigned a Counsellor to deal solely with incoming claims to ensure they were dealt with more quickly, and another to deal with resolving complicated claims, which were taking up considerable time for Counsellors with high caseloads. The specialized attention provided by these new positions reduced waiting periods for injured workers.



Management at North Haven Manor in Lewisporte worked with the union and WCC to ease workers back to the workplace as soon as possible. The result was that the number and duration of injuries at the Manor were down in 1991.

Doreen White participated in an Ease Back to Work Program at North Haven Manor.

EXTENDED EARNINGS LOSS

Injured workers who can no longer work or earn at a level comparable to their pre-injury earnings may be considered for Extended Earnings Loss (EEL) benefits. These benefits are payable to age 65 or as long as the wage loss exists, whichever comes first.

There were 656 injured workers receiving Extended Earnings Loss benefits in 1991, compared to 529 in 1990. Cash payments for EEL programs in 1991 were $5.0 million compared to $3.8 million in 1990.

MEDICAL SERVICES

The Medical Services Department assesses injured workers to determine their permanent functional impairment and to provide medical advice to Claims Adjudicators and Rehabilitation Counsellors handling the claims of injured workers. The Department, if possible, also assists in obtaining access to medical treatment for injured workers.

Staff of the Medical Services Department examined 831 workers in 1991, a decrease from 980 examinations in 1990. A total of 14,407 claims files were reviewed in 1991 compared to 12,726 in 1990.

There were 454 injured workers assessed for Permanent Functional Impairment (PFI) awards in 1991. A total of $3.4 million was paid out in PFI awards for current and prior years' claims in 1991, compared with $2.4 million in 1990.

In 1991, the Department hired a physician in Corner Brook on a part-time basis to hold bi-weekly medical clinics in Corner Brook and in Grand Falls-Windsor. Injured workers benefited in that it was no longer necessary to travel to St. John's for assessments. This also proved to be less costly and more convenient for Workers' Compensation Commission decision-makers in the Regions.

WCC physician Beverly Abott examines an injured worker to determine his Permanent Functional Impairment.

A total of 240 injured workers were referred to the Leonard A. Miller Centre's multi-disciplinary assessment program for diagnosis and counselling in 1991.

The Chronic Pain Management Centre at the Leonard A. Miller Centre in St. John's accommodated 54 injured workers in 1991. The Centre's five-week program is augmented by follow-up care for several months following discharge. The number of people who can go through the Centre is necessarily limited because of the complexity of chronic pain and the need for in-depth, personal care.

The Medical Services Department negotiated access to orthopaedic beds at the James Paton Memorial Hospital in Gander and established a work-skills program at Western Memorial Hospital in Corner Brook.

Access to spinoscopy was arranged with the Atlantic Back Institute in October 1991, and an average of 30 workers are accommodated each month. This non-invasive test, helps identify if a low back dysfunction exists and if so, at which level. Already it has identified conditions that went unidentified by more traditional investigative methods. It also showed in some cases that surgery was unnecessary. As well, it has directed care to non-traditional medical therapy, such as chiropractic treatment. This arrangement will be evaluated after one year.

The Commission also entered into an agreement with St. Clare's Mercy Hospital to clear up the waiting list for arthroscopies. The Hospital provided additional operating room facilities to reduce the backlog and has agreed to do so on a continuing basis, if the waiting period for this service continues.

Information Systems staff work with Rehabilitaiton staff to develop a rehabilitation payment system.

HUMAN RESOURCES

The Commission operated with a complement of 161 permanent staff in 1991. Eight of these positions were in Corner Brook, seven in Grand Falls-Windsor and the rest in St. John's. Staff turnover in 1991 was fewer than the previous year with only six resignations and two retirements.

The Human Resources Department's activities in 1991 centred on recruitment and selection of staff, training and development, labour relations, and policy development.

During 1991, all staff of the Commission were given an opportunity to have input on operational changes that might enhance the quality of service offered by the Commission. Resource materials and training were subsequently provided to staff to help them with client relations skills, so they can deal effectively in the more demanding areas of customer service.

In-house training activities were also organized, including lunch-time videos, performance-management training and information training for front-line staff.

ADMINISTRATION

Renovations to the Headquarters Building in St. John's were completed in 1991 and are expected to meet normal expansion needs of the Commission in the medium term. In a continuing effort to improve services, the Commission instituted a toll-free telephone service in March 1991. This enables all residents of the Province to contact any Regional Office of the Commission or Headquarters without cost to the caller. Furthermore, the parking capacity at Headquarters in St. John's was expanded during the year to facilitate improved access to the building, especially for disabled persons.

INFORMATION SYSTEMS

The Information Systems Department is responsible for assessing and co-ordinating all the computer needs of the Workers' Compensation Commission.

In 1991, Systems Development staff completed three new systems: a rehabilitation payment system; a program reporting system, which provides detailed reporting on program expenditures; and, a partial automation of payments for physicians and vendor accounts within the Medical Aid Division. The pension system was reviewed and plans are underway to modify it in 1992. In addition, work began on a claims duration tracking system to provide management statistics on specific duration in claims processing, which is slated for completion in 1992.

COMMUNICATIONS

The Communications Department made presentations to external groups throughout the year and co-ordinated numerous presentations by Counsellors and Adjudicators who, despite high caseloads, took time to speak to interested groups. The Department also provided information about the Commission to the public through press conferences, press releases, ads and interviews with the local media.

An internal newsletter was introduced in December 1990 and produced throughout 1991 to improve communications among staff of the Commission.

INTERNAL REVIEWS / APPEALS

In 1991 there were 535 decisions reviewed by the Department Director or designate, compared to 395 decisions in 1990. Of the 535 decisions reviewed at this level, 72% of the original decisions were upheld. A second Hearings Officer was appointed to the Hearings Division in 1991 to assist with the high demand for Hearings. They conducted 195 Hearings and upheld 65% of the original decisions.

Workers and employers who are dissatisfied with decisions made by the Commission, can appeal the decisions to the Workers' Compensation Appeal Tribunal (WCAT) for a review. The WCAT is appointed by the Government and independent of the Commission. In 1991, the WCAT rendered 31 decisions, they denied 17 of the appeals, allowed nine, denied one in part, allowed one in part, remitted one back to the Commission for further review, set one aside and called for a Section 21.7 review by the Board of Directors of one decision.

FINANCIAL SERVICES

Employer's assessments in 1991 totalled $90.2 million, an increase of $11.2 million or 14% over the $79.0 million recorded in 1990. Investment income amounted to $10.5 million. The yield on the book value of investments was 10.17%.

In 1991, there were 12,500 employers registered in the Province and they paid an average assessment rate of $2.88. This compares with 12,100 employers in 1990 and an average assessment rate of $2.43.

Results of Operations

The last independent actuarial assessment was done in 1990 and was based on claims cost experience to December 31, 1989. That assessment resulted in an adjustment to liabilities in 1990 of $29.3 million and this coupled with a change in accounting policy to recognize the cost of future indexing estimated at $50.9 million, caused the unfunded liability (assets minus liabilities) to increase from $34.9 million in 1989 to $112.8 million as at December 31, 1990.

The Commission requested the Actuary to carry out an updated assessment of benefit liabilities as at December 31, 1991. The results of the valuation revealed the need to increase previous estimates of prior years' claims by $43.6 million. This adjustment is necessary to allow for the fact that (i) a greater than expected number of injured workers are remaining on the system and for longer periods, (ii) the number of rehabilitation programs for injured workers per accident year are increasing, (iii) there are more long-term wage-loss claims per accident year than expected, and (iv) medical costs have risen dramatically mainly because of a greater than expected number of injured workers staying on the system.

Rate Analyst, John Grant classifies employers into rate groups and deals with their enquiries.

Revenue and Expenditure Statement

Revenues are up by $12.1 million of which $11.2 million was attributed to assessments. While revenues were in excess of the amount required to cover the full years' cost of 1991 injuries and administration costs, the excess was not sufficient to cover the shortfall in interest income required to finance long-term liabilities. Consequently, the shortfall in interest income, combined with the actuarial adjustment, resulted in an excess of expenditures over revenue of $46.9 million.

Accumulated Deficit Statement

The excess of expenditures over revenue of $46.9 million and net appropriations to reserve funds of $0.2 million have the effect of increasing the accumulated deficit from $128.9 million in 1990 to $176.0 million in 1991.

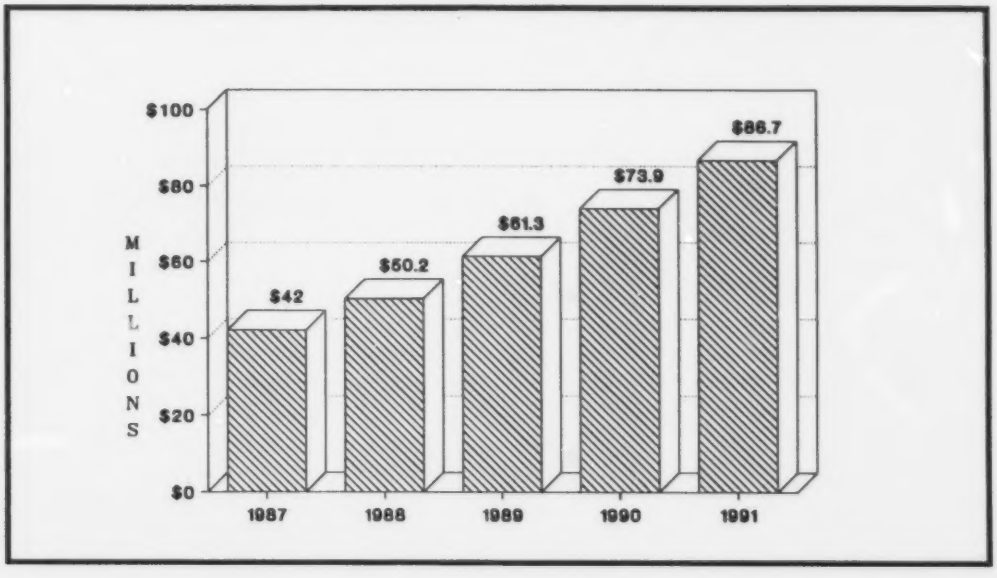
Cash Payments

The graph on the next page depicts claims cash payments made during the past five years. Cash payments have increased on average by 20%, compounded annually. A comparison of cash payments by benefit programs for the years 1990 and 1991 follows the graph.

Given that the Commission's liabilities are more than twice its assets, the ever increasing cash payments for claims is of great concern.

The financial dilemma facing the Commission was highlighted to stakeholders in a Financial Strategy Document released by the Board of Directors in early 1991. That document was also presented to the Statutory Review Committee with the hope that it would be useful to them in their report to Government on the current Workers' Compensation System.

CLAIMS CASH PAYMENTS



CLAIMS CASH PAYMENTS
BY PROGRAM

Program	1991 ($ Thousands)	1990 ($ Thousands)	% Increase/ (Decrease)
Temporary Earnings Loss	$38,563	$35,063	10.0%
Medical Aid	17,140	13,346	28.4%
Rehabilitation	11,011	8,416	30.8%
Extended Earnings Loss	5,030	3,826	31.5%
Annuity	107	8	1,237.5%
Lump Sums and Permanent Functional Impairment Awards	4,861	3,414	42.4%
Dependency Benefits and Payments to Permanently Disabled Workers	9,984	9,858	1.3%
	$86,696	$73,931	17.3%

ACTUARIAL CERTIFICATE

1. The total liabilities as at December 31, 1991, for payments expected to be paid after December 31, 1991, to workers and dependents of workers in respect of pensions awards and extended earnings loss awards made on or before December 31, 1991 amount to $137,899,000.

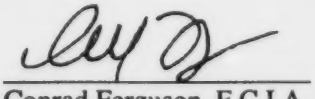
2. The liability as at December 31, 1991, for pension contributions and interest in the amount of $7,930,000 already set aside by the Commission up to December 31, 1991 for purposes of providing pension benefits at age 65 to injured workers is included in 1. above and was determined by the Commission.

3. The outstanding claims liabilities as at December 31, 1991, for benefit payments of all types expected to be made after December 31, 1991, in respect of accidents of 1991 and prior years, other than payments for awards already capitalized in 1. above, amount to $146,809,000.

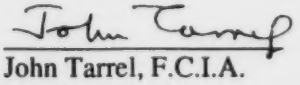
4. The data on which the valuation is based were provided by the Commission in accordance with detailed specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficiently reliable as to permit a realistic assessment of the liabilities of the Commission as described above.

5. In our opinion, the actuarial assumptions adopted in computing the foregoing liabilities are adequate and appropriate, and the methods employed are in accordance with generally accepted actuarial principles and practices. The economic assumptions adopted for purposes of computing the above noted liabilities are consistent with a valuation of the investments at book value.

6. Details of the actuarial assumptions and valuation methods are set out in the actuarial valuation report as at December 31, 1991, of which this certificate forms part.



Conrad Ferguson, F.C.I.A.
Eastern Canada
Consulting Services Ltd



John Tarrel, F.C.I.A.
Eastern Canada
Consulting Services Ltd

ECCS-Sobeco

	Auditors' Report
Statement 1	Balance Sheet
Statement 2	Revenue and Expenditure
Statement 3	Accumulated Deficit
Statement 4	Liability for Outstanding Claims
Statement 5	Reserve Funds
Statement 6	Changes in Financial Position
Statement 7	Notes to Financial Statements
Schedule 1	Administrative Expenses

AUDITORS' REPORT

To the Board of Directors of
The Workers' Compensation Commission
of Newfoundland and Labrador

We have audited the balance sheet of The Workers' Compensation Commission of Newfoundland and Labrador as at December 31, 1991, and the statements of revenue and expenditure, accumulated deficit, liability for outstanding claims, reserve funds and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, except for the effect of changes, if any, in the liability for outstanding claims as referred to in Note 7, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1991, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Doane Raymond

St. John's, Newfoundland
March 10, 1992

Chartered Accountants

Balance Sheet

December 31, 1991

(Statement 1)

	1991	1990
ASSETS		
Cash and short-term investments	$ 20,251,692	$ 15,968,145
Receivables (Note 2)	11,066,146	11,711,339
Investments, at book value (Note 3)	90,134,295	85,699,616
Land, building, furniture and equipment (Note 4)	5,991,299	5,848,037
	$ 127,443,432	$ 119,227,137
LIABILITIES, RESERVES AND ACCUMULATED DEFICIT		
Payables and accruals	$ 2,361,680	$ 2,437,091
Liability for outstanding claims (Statement 4)		
Basic benefits	230,105,124	178,613,444
Future indexing	54,603,000	50,936,000
	287,069,804	231,986,535
Reserve funds (Statement 5)	16,385,786	16,141,420
Accumulated deficit	(176,012,158)	(128,900,818)
Unfunded liability	(159,626,372)	(112,759,398)
	$ 127,443,432	$ 119,227,137

On Behalf of the Commission

Chairperson

Chief Executive Officer

Commentary

The balance sheet gives the Commission's financial position at December 31, 1991. Assets refer to resources and property owned by the Commission or owed to the Commission by others. They include cash and investments, land, building and equipment plus various accounts receivable.

Liabilities include accounts payable and actuarial estimates of amounts to be paid in future years for 1991 and prior years' injuries. As disclosed in Note 1 to the Financial Statements, the liability for outstanding claims includes an amount for indexing dependency and extended earnings loss benefits.

The reserve funds are amounts appropriated to fund the cost of specific expenditures and the accumulated deficit is the accumulated excess of expenditure over revenue. Unfunded liability refers to the amount by which total liabilities exceed total assets.

Revenue and Expenditure

Year Ended December 31, 1991

(Statement 2)

	1991	1990
Revenue		
Assessments	$ 90,156,013	$ 79,004,407
Self-insurers	5,763,946	5,125,870
Investment income	10,461,851	10,177,107
	106,381,810	94,307,384
Expenditure		
Current year's costs		
Current year's claims		
Payments and awards	20,138,398	20,995,998
Estimated future payments and awards		
Basic benefits	47,974,000	38,430,609
Future indexing	3,715,000	2,963,560
Self-insurers	5,763,946	5,125,870
	77,591,344	67,516,037
Administrative		
Workers' Compensation Commission	8,412,247	7,670,336
Occupational Health and Safety	2,527,060	2,487,032
Appeal Tribunal	350,240	416,595
Statutory Review Committee	104,627	
	11,394,174	10,573,963
Sub-Total	17,396,292	16,217,384
Prior years' costs		
Prior years' claims		
Future payments and awards -		
Adjustment to actuarial estimates (Note 5)	43,550,851	29,345,693
Interest income required	19,747,620	15,987,647
Benefits charged to reserve funds	964,795	798,752
	64,263,266	46,132,092
Excess of expenditure over revenue	$(46,866,974)	$(29,914,708)

Commentary

The Commission's statements are prepared on an accrual basis. Thus, the Commission includes in the current year statement of revenue and expenditures an estimate of future costs for injuries that have already occurred.

The statement of revenue and expenditure summarizes the Commission's operating activity for the year. Income consists of assessment revenue from employers, self-insurers and interest earned on both short- and long-term investments.

Expenditure for current year claims represents actual cost incurred in 1991, plus an estimate of what is expected to be incurred in the future for these claims including an allowance for indexing basic benefits in line with increases in the Industrial Aggregate Wage Index.

Administrative and other expenses include overhead cost of operating the Commission, payments to Occupational Health and Safety, the Workers' Compensation Appeal Tribunal and the Statutory Review Committee.

Prior years' claims include actuarial adjustments to previous estimates of liabilities for prior years' claims, interest required to fund liabilities and charges to reserve funds.

Accumulated Deficit

Year Ended December 31, 1991

(Statement 3)

	1991	1990
Accumulated deficit, beginning of year	$(128,900,818)	$ (99,722,093)
Excess of expenditure over revenue	(46,866,974)	(29,914,708)
	(175,767,792)	(129,636,801)
Net appropriations from (to) reserve funds	(244,366)	735,983
Accumulated deficit, end of year	$(176,012,158)	$(128,900,818)

Commentary

The accumulated deficit, beginning of the year, is the accumulated excess of expenditure over revenue recorded in prior years.

Excess of expenditure over revenue is the difference between current year's revenue and expenditures for current and prior years' claims (Statement 2) which is added to the accumulated deficit.

Net appropriations from (to) reserve funds show the amount set aside in the current year to fund reserves for specific purposes (Statement 5).

The accumulated deficit, end of year, is the accumulated excess of expenditures over revenue for all years to the end of 1991.

Liability For Outstanding Claims

Year Ended December 31, 1991

(Statement 4)

	Estimated Liability For Future Costs of Existing Claims	Liability For Dependency Benefits and Payments to Permanently Disabled Workers	Liability For Extended Earnings Loss	Liability For Annuity Payments	Total
Balance, beginning of year	$ 98,738,556	$ 79,697,000	$ 48,382,000	$ 2,731,888	$229,549,444
Additions:					
Estimated future payments and awards	98,845,370				98,845,370
Established awards		(3,395,734)	7,953,036	4,077,699	8,535,001
Investment income required	8,283,000	6,190,000	4,060,000	1,214,620	19,747,620
	107,128,370	2,794,266	12,013,036	5,292,319	127,227,991
Deductions:					
Benefits paid or charged with respect to claims	(59,057,926)	(8,957,266)	(3,960,036)	(94,083)	(72,069,311)
Balance, end of year	$146,809,000	$ 73,534,000	$ 56,435,000	$ 7,930,124	$284,708,124
Composition:					
Basic benefits	$134,227,000	$52,379,000	$35,569,000	$ 7,930,124	$230,105,124
Future indexing	12,582,000	21,155,000	20,866,000		54,603,000
	$ 146,809,000	$ 73,534,000	$ 56,435,000	$ 7,930,124	$284,708,124

Commentary

The estimated liability for future costs of existing claims is the actuarial estimated amount required to meet future payments in respect of 1991 and prior years' injuries for temporary earnings loss, medical aid, rehabilitation, extended earnings loss, annuities, permanent functional impairment awards and dependency benefits.

The liability for dependency benefits and payments to permanently disabled workers is the amount set aside to provide for future payments on established awards to dependents and permanently disabled workers.

The liability for extended earnings loss is the amount set aside to provide for future payments to age 65 on established extended earnings loss awards.

The liability for annuity payments is the amount set aside to provide for established annuities to workers at age 65.

The composition of the total liabilities (balance, end of year) is a breakdown between basic benefits and the future cost of indexing those benefits.

Reserve Funds

Year Ended December 31, 1991

(Statement 5)

	Disaster Reserve	Enhanced Disabilities Reserve	Occupational Health & Safety Reserve	Total
Balance, beginning of year	$ 10,000,000	$ 1,141,420	$ 5,000,000	$ 16,141,420
Additions: Appropriations	315,208	912,737		1,227,945
Deductions: Benefits paid or charged with respect to claims	(315,208)	(668,371)		(983,579)
Net appropriations		244,366		244,366
Balance, end of year	$ 10,000,000	$ 1,385,786	$ 5,000,000	$ 16,385,786

Commentary

The statement of reserve funds shows amounts for the various reserves that have been established for specific purposes. The closing balance represents the funds available from these reserves.

The Disaster Reserve is limited to a maximum of $10.0 million and the Occupational Health and Safety Reserve is limited to $5.0 million. There is no overall maximum limit on the amount of the Enhanced Disabilities Reserve.

Changes in Financial Position

Year Ended December 31, 1991

(Statement 6)

	1991	1990
Cash provided from (used for)		
Operating activities (Note 6)	$ 9,731,925	$ 9,303,574
Investing activities		
Proceeds from sale and maturity of investments	147,985,920	93,750,323
Purchase of		
Investments	(152,758,283)	(100,951,570)
Building additions	(194,662)	(803,493)
Furniture and equipment	(481,353)	(603,464)
	(5,448,378)	(8,608,204)
Net cash provided	4,283,547	695,370
Cash and short-term investments, beginning of year	15,968,145	15,272,775
Cash and short-term investments, end of year	$ 20,251,692	$ 15,968,145

Notes to Financial Statements

December 31, 1991

(Statement 7)

1. Accounting policies

Assessment revenue

i) At the beginning of each year, an assessment is levied on employers by applying industry assessment rates to their estimated payrolls. At year end, this assessment revenue is adjusted based on the average difference of actual to estimated payrolls for the three years prior to the current year.

ii) Uncollectible assessment balances are charged against assessment revenue.

Investments

i) A gain or loss on the sale or exchange of investments is deferred and amortized to investment income over ten years. In cases where it is felt that a permanent impairment in the book value has occurred, the investment is written down to current market value and the write-down amortized to investment income over ten years.

ii) Investment income is allocated to the liability for outstanding claims on the basis of 8.16% (1990-8.16%) and allocated to the liability for annuity payments on the basis of the actual yield of 10.17% (1990 - 11.6%) earned on the Commission's investment portfolio.

Depreciation

Depreciation of fixed assets is recorded on the straight-line method at the rates indicated below.

Building	2 1/2%
Furniture and equipment	10%; 20%

Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland. Contributions to the plan are required from both the employees and the Commission. The annual contributions for pensions are recognized in the accounts on a current basis.

Estimated liability for future costs of existing claims

This liability represents the estimated amount required to meet future payments and awards in respect of 1991 and prior years' injuries. The estimated liability is an estimate of future temporary earnings loss payments, medical aid payments, rehabilitation payments, permanent functional impairment awards, extended earnings loss awards, annuity awards and awards to dependents and permanently disabled workers.

The estimated liability has been calculated using actuarial factors based on the experience of benefit programs. The latest actuarial report was prepared on the basis of information available to December 31, 1991, and is to be reviewed every two years.

1. Accounting policies (cont'd.)

Liability for dependency benefits and payments to permanently disabled workers

The purpose of this liability is to set aside amounts to provide for the future payments on established awards to dependents and permanently disabled workers.

The capitalization of the awards and the resulting calculation of the liability is determined on an actuarial basis. The latest actuarial report was prepared on the basis of information available to December 31, 1991 and is to be reviewed every two years.

Liability for extended earnings loss

The purpose of this liability is to set aside amounts to provide for future payments on established extended earnings loss awards.

The capitalization of the awards and the resulting calculation of the liability is determined on an actuarial basis. The latest actuarial report was prepared on the basis of information available to December 31, 1991, and is to be reviewed every two years.

Liability for annuity payments

This liability represents the amount set aside to provide for established annuities to workers at age 65.

Future Indexing

The Commission follows the policy of future indexing the liabilities for dependency benefits and extended earnings loss.

Appropriation to reserve funds

i) Appropriation reserves for disaster and enhanced disabilities are calculated as a percentage of annual assessment revenue as follows:

Disaster	5%
Enhanced disabilities	1%

The disaster reserve is limited to a maximum of ten million dollars.

ii) An amendment to the Regulations of the Occupational Health and Safety Act in 1986 provides for the funding, by the Commission, of special projects and studies relating to the enhancement of occupational health and safety in the work place.

Under the terms of the Regulations, the Commission is required to set aside a reserve to a maximum of five million dollars. Special projects to be charged to this reserve must receive prior approval of the Lieutenant-Governor in Council.

2. Receivables

	1991	1990
Assessments (net of provision for doubtful accounts $3,945,177; 1990 - $3,261,081)	$ 3,562,374	$ 4,224,433
Provision for unbilled assessments	5,341,712	5,541,813
Interest	1,715,920	1,791,083
Self-insurers	446,140	154,010
	$ 11,066,146	$11,711,339

3. Investments, at book value

	1991	1990
Bonds and debentures	$ 75,926,529	$61,882,111
Equities	12,094,315	20,322,122
Unamortized portion of losses on sale or exchange of investments	2,113,451	3,495,383
	$ 90,134,295	$85,699,616
Market value		
Bonds and debentures	$ 79,986,020	$62,340,159
Equities	13,305,325	17,893,725
	$ 93,291,345	$80,233,884

4. Land, building, furniture and equipment

	1991			1990
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 10,830		$ 10,830	$10,830
Building	6,435,666	$ 1,575,325	4,860,341	4,826,571
Furniture and equipment	3,904,849	2,784,721	1,120,128	1,010,636
	$ 10,351,345	$ 4,360,046	$ 5,991,299	$ 5,848,037

5. Future payments and awards - Adjustment to actuarial estimates

A recent actuarial review was performed for the purpose of updating the estimated costs of future payments and awards for injuries that have been reported up to December 31, 1991. Based on the current claims experience, $43,550,851 that is related to prior years' claims has been recorded in expenditure in 1991. This amount is calculated as follows:

(i) $47,156,370 increase in the estimated liability for future costs of existing claims;

(ii) $6,709,388 decrease in the liability for dependency benefits and payments to permanently disabled workers;

(iii) $716,497 decrease in the liability for extended earnings loss; and

(iv) $3,820,366 increase in the liability for annuity payments.

6. Cash from operating activities

	1991	1990
Cash provided from (used for)		
Excess of expenditure over revenue	$(46,866,974)	$(29,914,708)
Depreciation	532,753	506,192
Amortization of losses on investments	337,684	442,109
	(45,996,537)	(28,966,407)
Adjustment to accumulated deficit		(47,972,440)
Changes in		
Receivables	645,193	(1,852,585)
Payables and accruals	(75,411)	484,653
Liability for outstanding claims	55,158,680	87,610,353
	$ 9,731,925	$ 9,303,574

7. Other matter

The experience of benefit programs was reviewed by the Commission's actuary in 1991 and the effect of such experience to date is reflected in these financial statements. However, our discussion with the actuary indicate that experience in the past two years has resulted in costs significantly higher than anticipated for current and prior year injuries. Unless this trend is reversed, additional adjustments to the liability for outstanding claims for prior year injuries may be required in future actuarial reviews.

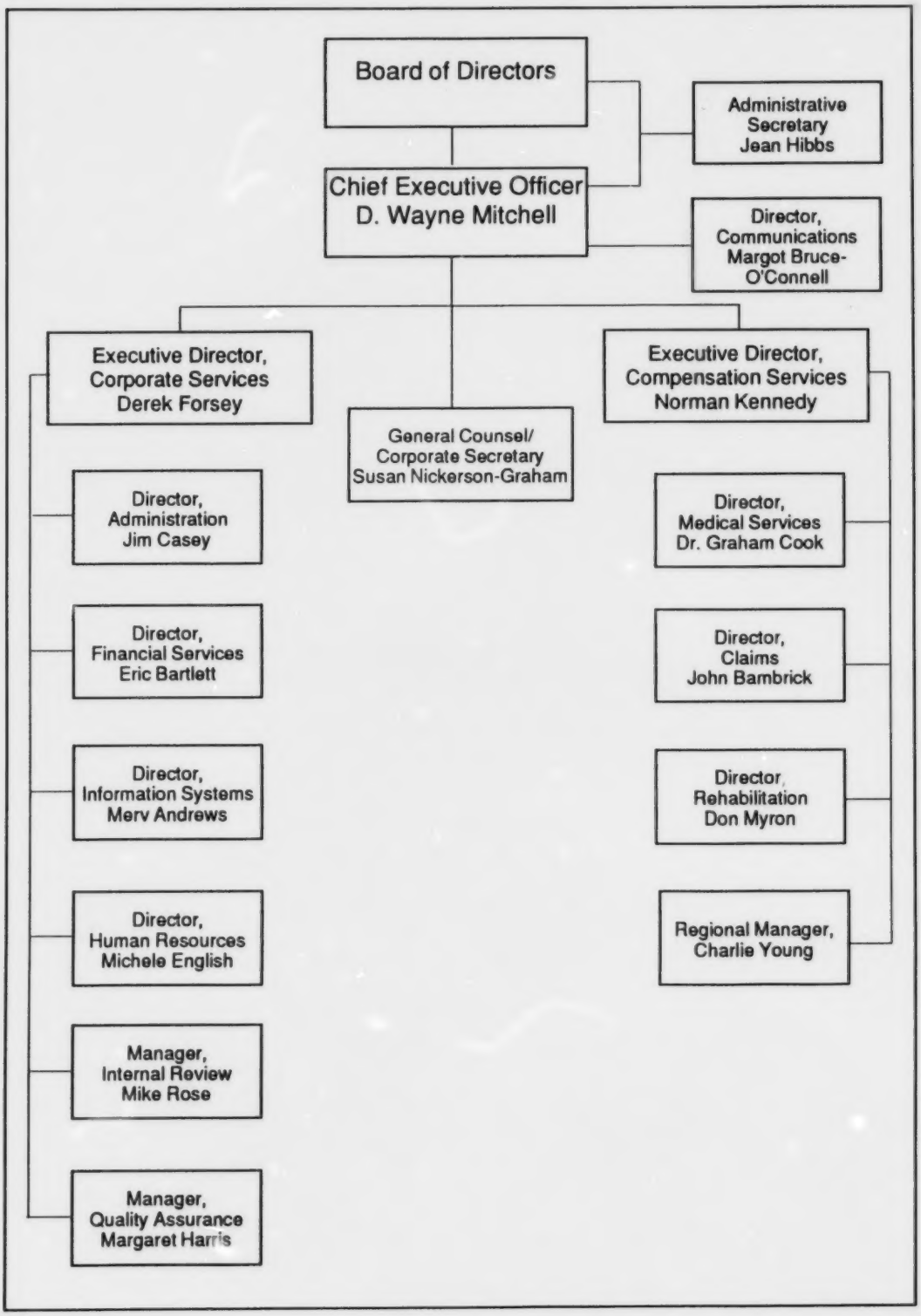
Administrative Expenses

Year Ended December 31, 1991

(Schedule 1)

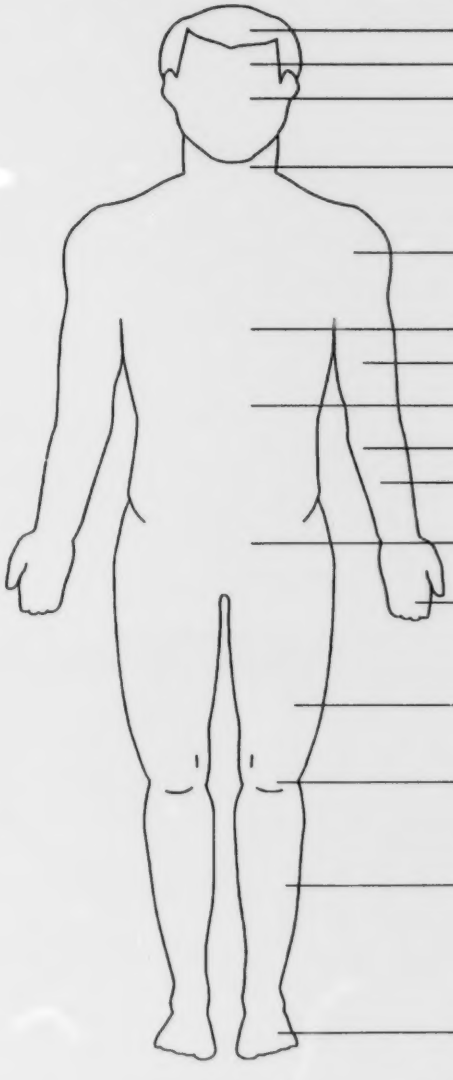
	1991	1990
Salaries and benefits	$ 6,718,418	$ 6,081,456
Telephone, postage and general office	1,030,354	771,706
Depreciation	532,753	506,192
Building operations and maintenance	444,632	352,825
Professional services	273,885	378,654
Travel	224,093	198,943
Vehicle operating	124,148	104,035
Printing and supplies	120,673	131,251
Computer services	105,835	150,730
Directors' fees	79,000	82,851
Miscellaneous	30,351	47,434
	9,684,142	8,806,077
Deduct:		
Rental income	(281,667)	(284,634)
	9,402,475	8,521,443
Administrative expenses charged to self-insurers as follows:		
Government of Newfoundland and Labrador	521,004	438,921
Government of Canada	266,599	218,839
Terra Transport (CNR)	87,659	84,081
Marine Atlantic	46,844	50,353
Memorial University of Newfoundland	37,212	29,996
Newfoundland Dockyard	30,910	26,262
Quebec North Shore and Labrador Railway		2,655
	990,228	851,107
	$ 8,412,247	$ 7,670,336

ORGANIZATION CHART


Board of Directors
Administrative Secretary Jean Hibbs
Chief Executive Officer D. Wayne Mitchell
Director, Communications Margot Bruce-O'Connell
Executive Director, Corporate Services Derek Forsey
General Counsel/ Corporate Secretary Susan Nickerson-Graham
Executive Director, Compensation Services Norman Kennedy
Director, Administration Jim Casey
Director, Financial Services Eric Bartlett
Director, Information Systems Merv Andrews
Director, Human Resources Michele English
Manager, Internal Review Mike Rose
Manager, Quality Assurance Margaret Harris
Director, Medical Services Dr. Graham Cook
Director, Claims John Bambrick
Director, Rehabilitation Don Myron
Regional Manager, Charlie Young

INJURY BY BODY PART

Temporary Earnings Loss Claims By Body Part in 1991



	Number of Claims	Percent of Claims
Head	77	.8 %
Eyes	357	3.8 %
Face/Ears	56	.6 %
Neck	245	2.6 %
Shoulders	674	7.2 %
Chest	284	3 %
Upper Arm	163	1.7 %
Back/Spine	3049	32.4 %
Elbow	147	1.6 %
Forearm	234	2.5 %
Pelvic Area	189	2 %
Hands/Fingers	1793	19.1%
Thigh	111	1.2 %
Knee	406	4.3 %
Lower Leg	139	1.5 %
Foot/Toes	791	8.4 %

Circulatory	1	– %
Gastrointestinal	1	– %
Genitourinary	–	– %
Miscellaneous	2	– %
Multiple Injuries	560	6.0 %
Nervous System	6	– %
Other Systems	19	.2 %
Respiratory	18	.2 %
Trunk	82	.9 %

CLAIMS BREAKDOWN

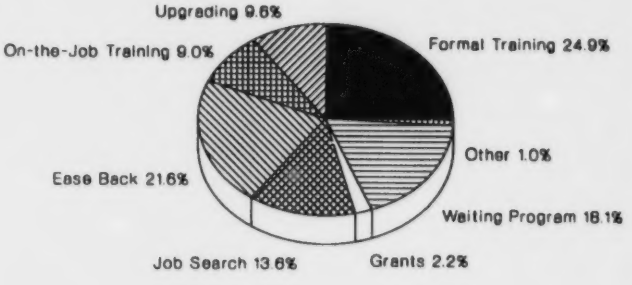
Temporary Earnings Loss Claims - 1991
By Class and Nature of Injury

Nature of Injury	Mining Class 1	Forest Products Class 2	Manufacturing Class 3	Construction Class 4	Transportation Class 5	Sales Service Class 6	Fishery Class 7	Reserves Class 8	Self Insurers Class 9	Totals
Abrasions	3	9	34	63	7	95	45	0	55	311
Amputations	0	2	2	2	0	2	5	0	3	16
Burns	6	7	20	15	2	129	25	1	12	217
Concussions	0	0	1	1	0	3	1	0	1	7
Contact with Electrical	0	1	3	3	1	1	3	0	0	12
Contagious & Infectious	1	0	4	3	1	18	8	0	3	38
Contusions	24	33	66	101	37	364	179	0	128	932
Dislocation	1	0	2	3	1	6	4	0	4	21
Fracture	15	20	31	85	21	143	73	0	60	448
Freezing & Frostbite	0	0	0	0	0	0	2	0	0	2
Hearing Loss	0	0	0	0	0	1	0	1	1	3
Hernia	0	0	2	3	1	11	4	0	3	24
Irritation Joints/Muscles	4	3	10	11	2	32	29	0	9	100
Miscellaneous	1	4	3	8	4	49	8	1	26	104
Multiple Injuries	4	3	5	25	7	46	15	0	18	123
Occupational Illness	0	0	0	0	0	1	0	0	0	1
Open Wounds	13	55	81	95	22	368	344	0	76	1054
Poisoning Inhalation	0	1	5	5	1	18	14	1	1	46
Psychological/ Unidentified	0	0	1	3	1	9	1	0	0	15
Skin Inflamation	0	0	1	1	0	26	7	0	2	37
Sprains	102	125	359	393	258	3130	785	1	727	5880
Vision Loss/ Cataracts	0	0	0	1	0	10	2	0	0	13
Totals	174	263	630	821	366	4462	1554	5	1129	9404

VOCATIONAL REHABILITATION

Rehabilitation Cash Payments in 1991 were $11 million compared to $8.4 million in 1990. The caseload in 1991 was 2,357 compared to 1,995 in 1990.

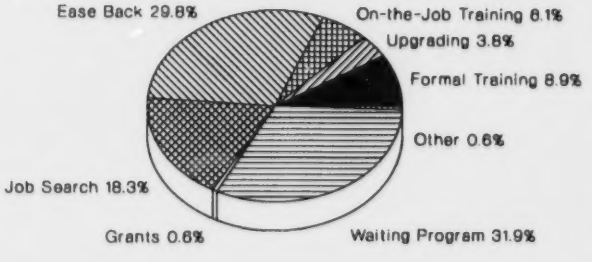
Rehabilitation
Distribution of Cash Payments



Cash Payment - $11.0 Million

Injured workers took part in 2,663 programs in 1991, compared to 2,095 in 1990.

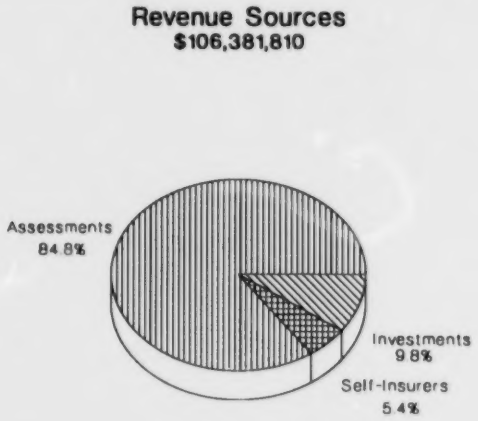
Rehabilitation
Distribution of Programs



Total Number of Programs - 2,663

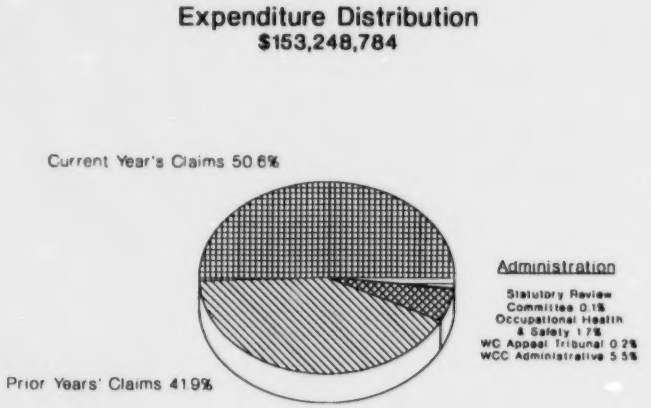
REVENUE SOURCES

Total Revenues were $106 million in 1991 compared with $94 millon in 1990.



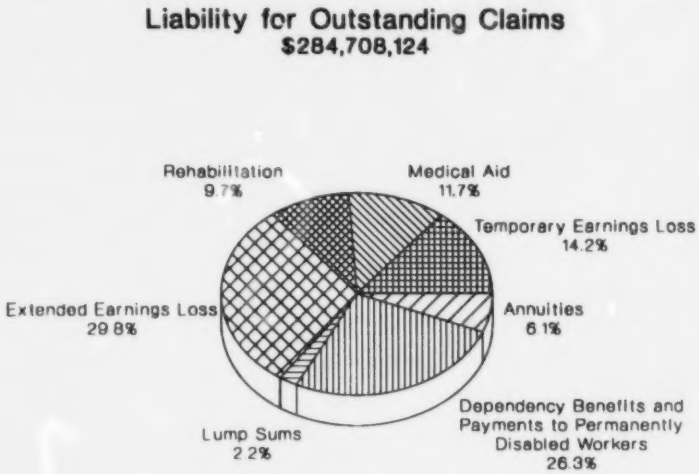
EXPENSE DISTRIBUTION

The expenditure distribution for 1991 totalled $153 million compared with $124 million for 1990.

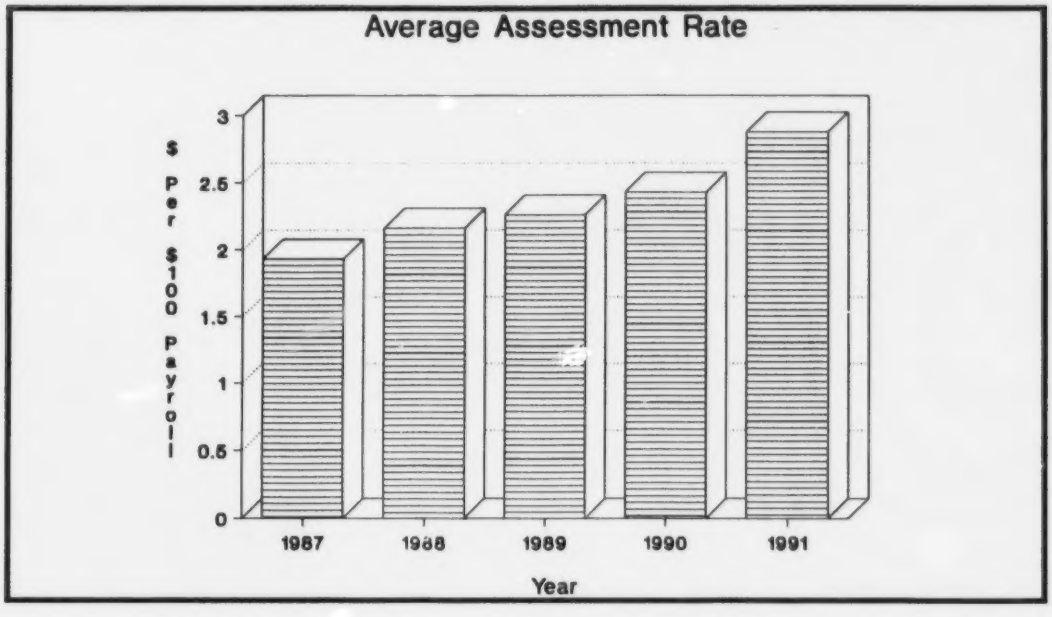


LIABILITY

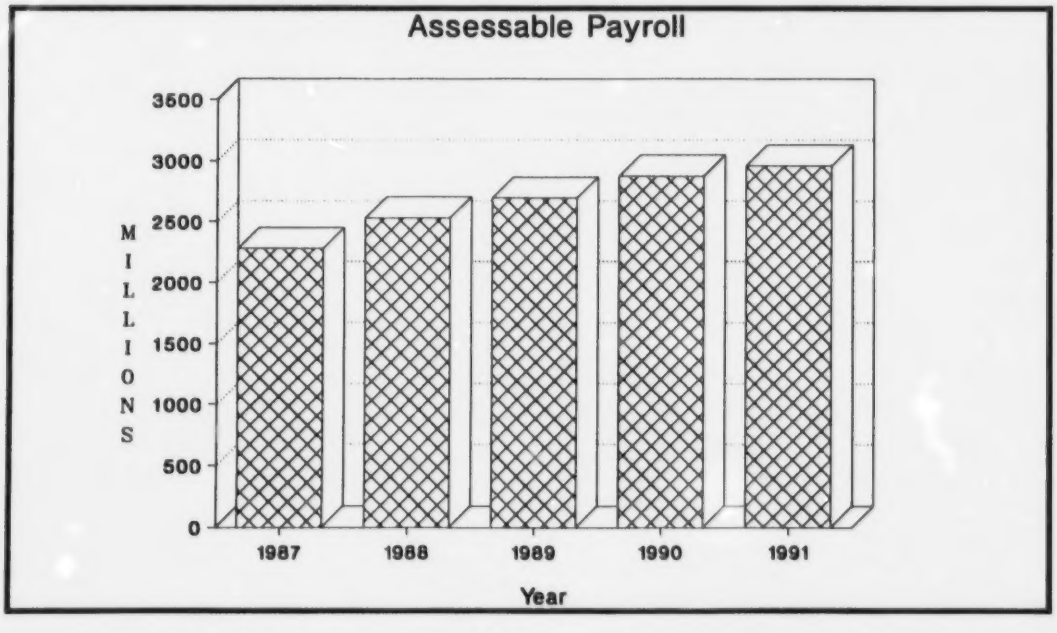
The liability for outstanding claims in 1991 was $284,708,124 compared with $229,549,444 in 1990.



ASSESSMENTS



ASSESSABLE PAYROLL



NOTE: ASSESSABLE PAYROLLS are based on Employer Estimates as at December 31 of each year. AVERAGE ASSESSMENT RATES are calculated on those estimates.

Compensation System Features

Maximum Compensable Earnings	$45,500
Rate of Compensation	
1983 & Prior Years	75% of Gross
1984 & Subsequent Years	90% of Net
Maximum Weekly Compensation	$596.68
Minimum Weekly Compensation	$200.00 or 100% of net if less than $200
Monthly Personal Care Allowance	$100 - $1250

Medical Aid includes all medical expenses related to the injury such as: hospital costs, drugs, doctors fees, prosthesis, physiotherapy, etc.

How to Reach Us

HEAD OFFICE
Workers' Compensation Commission
146-148 Forest Road
P.O. Box 9000
St. John's, Nfld.
A1A 3B8

Tel: 709-778-1000
Fax 709-738-1714
Toll Free:: 1-800-563-9000

REGIONAL OFFICES
Workers' Compensation Commission
Main Street
P.O. Box 474
Corner Brook, Nfld.
A2H 6E6

Tel: 709-639-9960
Fax 709-639-1018
Toll Free:: 1-800-563-2772

Workers' Compensation Commission
26 High Street
P.O. Box 850
Grand Falls – Windsor, Nfld.
A2A 2T7

Tel: 709-489-9883
Fax 709-489-4071
Toll Free:: 1-800-563-3448